RetireSafe

Standing Up For America's Seniors!

May 22nd, 2013

The Honorable Sam Johnson
Chairman of the House Committee on Ways and Means Subcommittee on Social Security

Chairman Johnson;

I submit this statement as a spokesman for RetireSafe's 400,000 supporters nationwide to voice our continued concern with the many discussions concerning our Nation's debt and the focus on cutting older Americans' benefits as a solution for that debt. The issues regarding Social Security and Medicare reform are numerous and RetireSafe has taken strong stances in the past and will continue to be involved as these discussions go forward. Today, however, on the eve of this hearing on "Bipartisan Entitlement Reform", we want to focus on one important aspect of reform that has been discussed lately and has found some favorable acceptance by the Administration and by both Democrats and Republicans. I speak of the chained CPI and its perceived impact on Social Security and the national debt.

The consumer price index (CPI) is a method used to calculate the cost-of-living-adjustment (COLA) for Social Security and many other programs. The COLA was initiated to ensure that the purchasing power of everyone's Social Security benefit was not eroded by inflation. To ensure that the benefit check they got this year buys the same amount of goods and services that it bought last year. The chained CPI's acceptance has been driven by some economist's calculation that a COLA based on the chained CPI would be smaller, reducing benefit payments and subsequently lowering the national debt. I think it would be fair to conjecture that if the chained CPI would have been estimated to result in an increase in the COLA rather than a decrease we would not be having this discussion about the CPI at all. The point I want to make is that the chained CPI, or any CPI, should not be used as a method to reduce the debt or to "preserve" Social Security by cutting benefits. The CPI used for the calculation of the Social Security COLA should have only one purpose, to preserve the value of the Social Security benefit. That should be its only job. Trying to use it for anything else is disingenuous and a trick to hide benefit reduction.

I have written numerous times about how and why the CPI that is used today to calculate the COLA is flawed; that it uses data for young urban wage earners and clerical workers and doesn't reflect the spending patterns or expense requirements of seniors. We have vigorously supported a bill that would calculate an accurate CPI, the CPI for Seniors Act, which will mandate a fair and correct CPI for seniors, and thus a fair annual Social Security COLA. That's all it does, it doesn't "fix" anything, and it doesn't reduce anything. It just preserves the purchasing power of that Social Security check that seniors count on each and every month.

It is also important to remember that other entitlement reforms that have been put forth to date would only affect future Social Security beneficiaries. The instigation of the chained CPI and the ensuing reduction in benefits will affect all seniors **right now** and the compounding affect will increase that impact more and more each year.

An option that deserves serious consideration is the creation of an accurate and fair CPI for seniors to ensure it does its simple and singular job of protecting the purchasing power of the Social Security checks that come each month. Entitlement reform and debt reduction should be dealt with in a clear and forthright manner, not hidden behind a chained CPI.

Thair Phillips

Thair Phillips
President, RetireSafe

1616 H Street NW, Suite 902, Washington D.C. 20006

www.retiresafe.org